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SENSITIVE  
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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [JA](#)  
SUBJECT: INSURANCE: DPJ'S FIRST STEPS ON POSTAL REFORM

REF: A. TOKYO 2079  
[1](#)B. TOKYO 1329  
[1](#)C. TOKYO 1106  
[1](#)D. TOKYO 706  
[1](#)E. TOKYO 555

SENSITIVE BUT UNCLASSIFIED. CONTAINS BUSINESS SENSITIVE  
INFORMATION.

[1](#)1. (SBU) SUMMARY: The Democratic Party of Japan (DPJ)-led government appears likely to take several steps to halt, and in some cases reverse, the postal privatization process. Although no official statement has been made, by all accounts the government plans to pass a bill in the extraordinary session of the Diet, which will most likely occur in mid to late October, to stop the sale of stock for Japan Post Holdings, Japan Post Bank, and Japan Post Insurance. The coalition government also plans to submit a bill at an early stage to conduct an overall review of postal services. The Embassy continues to make clear in its discussions with GOJ officials the USG does not take a position on postal privatization, but that we remain concerned about how changes in the privatization process could affect the competitive environment for banking, insurance, and delivery services and further delay GOJ commitments to create a level playing field for U.S. and other private companies. END SUMMARY.

PNP PUSHES TO LEAD ON POSTAL ISSUES  
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[1](#)2. (SBU) Just two days after Japan's new coalition government, led by the DPJ, took power, conflict arose between DPJ Minister of Internal Affairs and Communication (MIC) Kazuhiro Haraguchi and People's New Party (PNP) leader and Minister for Financial Affairs and Postal Reform Shizuka Kamei. Haraguchi, whose ministry has the statutory authority to regulate postal issues, in a live television broadcast on the night of September 17, presented a plan for review of the postal service privatization. Kamei retorted in an interview following a Cabinet meeting the next day that he is the one in the Cabinet responsible for postal matters. In response, Haraguchi reportedly said that his plan was just one example of what could be done. The early conflict between Kamei and

MIC Minister Haraguchi caught most observers by surprise, since Haraguchi was rumored to be one of the DPJ members closest to the PNP and to have similar views as the PNP on postal reform. Both Haraguchi and Kamei are apparently in agreement, however, with PM Hatoyama in calling for the resignation of controversial Japan Post Holdings President Yoshifumi Nishikawa (Refs B-C).

13. (SBU) PNP Secretary General and Upper House member Shozaburo Jimi told the DCM September 22 the PNP planned to lead within the coalition as an "equal partner" to shift the course on postal privatization and to improve the lives of rural citizens. Jimi claimed complete privatization of postal services would cause 10 million rural inhabitants to lose access to financial services and postal delivery. Although the PNP would ideally like to re-nationalize all parts of the postal business, Jimi said his party realizes this would not be possible. Therefore, the PNP will work to make certain that integrated postal delivery, banking, and insurance are available nationwide.

14. (SBU) In a separate meeting with Emboffs, DPJ Upper House Member and Director of the Committee on Financial Affairs Tsutomu Okubo confirmed the DPJ's one-year economic and financial policy is aimed at capturing the Upper House next July. He said halting the stock sale for the various postal corporations is a concession being made to the PNP to ensure consumer welfare measures rapidly pass in the Diet. Okubo, who has been in touch with U.S. insurance representatives in Japan, explained the coalition government will focus on

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delaying the stock sale; restructuring Japan Post Holdings by integrating Japan Post Network (post offices) and Japan Post Service (mail and parcel collection and delivery) directly into the holding company while keeping Japan Post Bank and Japan Post Insurance as independent corporations under Japan Post Holdings; and removing President Nishikawa. Although the PNP objects to any privatization steps, Okubo said the DPJ's plan is for 50 percent of the shares to remain with the government (COMMENT: Press reports indicate the government plans to hold more than two-thirds of Japan Post Holdings' stock and for Japan Post Holdings to hold at least two-thirds of the stock of Japan Post Bank and Japan Post Insurance. END COMMENT.)

#### U.S. INDUSTRY LOOKING FOR A SILVER LINING

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15. (SBU) The DPJ made clear during the Lower House election campaign that it would take steps to halt and review postal privatization. U.S. insurance industry representatives were therefore not surprised that the new government moved quickly to introduce a bill to halt the Japan Post Holdings, Japan Post Bank, and Japan Post Insurance stock sales. Some believe, however, the complexity of legislation needed to reorganize Japan Post Holdings may take more time to develop and will not be ready until next year's regular Diet session.

Industry is looking for a silver lining in the changes. One company's representative speculates the DPJ's stated intention to move from bureaucrat-led to elected-leader policy could be a positive development. Some also hope the threat of new insurance products being approved for sale by Japan Post Insurance would recede during the review period while officials consider the various realignment options (Refs D-E).

16. (SBU) While U.S. industry expected Kamei to get a cabinet appointment, most thought it would be the MIC Minister portfolio (Ref A). During the Koizumi Administration, Heizo Takenaka served as both the MIC Minister and the State Minister for Privatization of the Postal Services. It therefore came as a surprise when Kamei was given the Financial Affairs portfolio in addition to the more expected State Minister for Postal Reform position. Industry expects Kamei to push the PNP's single-issue agenda on postal reform

aggressively, since it is widely speculated the DPJ will drop its coalition partners should it win an outright majority in the 2010 Upper House elections.

#### BUREAUCRATS BIDDING THEIR TIME

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17. (SBU) Recent inquiries to MIC and the Financial Services Agency have been met with uncertainty and cautious replies that it will take time to see how postal reform proceeds. A contact at the Office for the Promotion of Privatization of Postal Services (OPJP) was more forthcoming and said that since there has been no official plan released, there have been no instructions given to the various bureaucrats traditionally tasked with working on this issue. They, like everyone else, are simply following the stories in the press. The contact added there appear to be many competing plans, some advanced by parties, some advanced by individual politicians, to address postal reform. He noted, however, that the three coalition parties had established a Postal Reform Consideration Team, but provided no further details about its approach or timelines for decision-making.

#### COMMENT

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18. (SBU) We continue to make clear in our discussions with GOJ officials that the USG does not take a position in favor or in opposition to the postal privatization, but we remain

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concerned about how changes in the privatization process could affect the competitive environment for banking, insurance, and delivery services. We also continue to emphasize the importance of equal regulatory requirements between Japan Post Insurance and private sector companies, especially before Japan Post Insurance offers any new or altered products.  
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